

05 Aug 2022

The Honorable Martin Glenn  
United States Bankruptcy Court, Southern District of New York  
One Bowling Green New York, NY 10004-1408

Re: Celsius Network LEC. et al. ("Celsius"). Case Number 22-10964

To the Honorable Judge Glenn.

Sir, the purpose of this letter is to provide you with:

- 1) Background information on retail loans
- 2) Unresolved questions sparked by recent Celsius Network email
- 3) Potential future problems
- 4) Solutions to consider in the coming weeks and months.
- 5) Personal outstanding & liquidated loan information

#### BACKGROUND INFORMATION

According to page 18-19 of "Declaration of Alex Mashinsky" filed to the Court on 14 July, there are 23,000 retail loans at Celsius with users owing a total of \$411 million to Celsius Network and Celsius Network holding \$765 million in collateral of users' finds. Each user had the option to take various loan to value (LTV) ratios ranging from 25%, 33%, and 50%, and 70%.

Across all retail loans, the average is approximately a -50% LTV ratio. On 29th July Celsius Network sent out the following email to users (relevant portions below) who had open loans that detailed the following changes to their loan process during restructuring;

- Customers may request to extend the maturity date of an existing loan, within two weeks of that loan's current maturity date. Such requests will be evaluated on a case-by-case basis. If your request is granted, the maturity date of your loan will be extended for a period no longer than 30 days.
- If you choose to repay and close an existing loan, you can do so only by wire transfer in US dollars. Digital assets currently reflected in your Celsius Account cannot be used to repay a loan as they are considered part of the Chapter 11 bankruptcy estate.
- Before sending a wire to Celsius, please note that all withdrawals, Swap, and transfers between accounts continue to be paused. Any assets unlocked when you repay and close an existing loan are subject to the pause.
- Please note that the above processes may change at a later date. If changes are made, we may not be able to provide you with advanced notice of these changes, although we will

attempt to do so if possible. Accordingly, this email is being provided only to inform you of the current changes to the loan process, and this email should not be relied upon as a guarantee that the above changes to the loan process will continue indefinitely. As such, we strongly encourage you to check for updates regarding the Chapter 11 proceedings shared through our official channels.

### UNRESOLVED QUESTIONS

Unfortunately, this email from Celsius Network generated more questions than answers for users' loans. Celsius Network continues to be completely unresponsive to any prior emails and their call center has shut down. Users are in a difficult financial position in handling their loans. The following are some unresolved questions from the Celsius Network email;

1. What is the "case-by-case basis" criteria that Celsius Network will use whether or not a user can extend a loan for 30 days within 2 weeks of a loan maturing?
2. Why only 30 days and why does it need to be within 2 weeks?
3. If an user's loan is approved for a 30 day extension then what happens after that 30 days?
4. Can a user extend every 30 days indefinitely until there is some legal and financial clarity on what is happening to users collateral?
5. What is happening to loans that have matured since July 13 (day it was announced that loans that matured after this date would not be liquidated)?
6. What happens to loans that mature after Celsius Network's above 29 July email?
7. What is happening to the collateral once it's released back into earn/custody accounts?
8. Does Celsius intend to liquidate loans at a later date on loans that have matured?
9. When Celsius Network states, "Digital assets currently reflected in your Celsius Account cannot be used to repay a loan as they are considered part of the Chapter 11 bankruptcy estate", does that mean that the collateral is or is not part of the Ch.11 bankruptcy estate?
10. When Celsius Network states, "all withdrawals, Swap, and transfers between accounts continue to be paused. Any assets unlocked when you repay and close an existing loan are subject to the pause", when users' collateral is released does it go back to their respective earn/custody accounts and is that collateral then part of the Ch 11 bankruptcy estate?

### POTENTIAL PROBLEMS

Your Honor, I'd like to provide yourself and the Committee of Unsecured Creditors potential solutions regarding retail loans. Right now, there is a concern that users who wire in their principal to Celsius Network may see a substantial 'haircut' to their collateral once it returns to their respective earn/custody account. Even worse, Celsius Network could liquidate the loan after maturity and then apply haircut to remaining collateral in the future on their respective earn account. The worst case scenario is that Celsius Network states successfully discharges retail users' collateral in bankruptcy and still requires users to pay off their principal and interest with zero collateral returned to users following payment of the loan. For these reasons, your Honor, I request that you consider that users loan collateral is not dischargeable in bankruptcy. Additionally, no retail user received the appropriate Truth in

Lending Disclosure Statement per the Federal Truth in Lending Act when users took out their initial loans.

### FUTURE SOLUTIONS

Your Honor, there are three solutions that I hope the Committee of Unsecured Creditors bring to your consideration.

They are in order of priority that best brings resolution to all parties;

1. Allow solvent lending platform to buy off any and all current or matured retail loans from Celsius Loans LLC retail loan order book 111 which users pay interest and principal to new lending platform. Upon completion of new loan terms, users' collateral is returned to a personal wallet they control.
2. Upon financial, regulatory, and legal clarity from these proceedings, allow users the ability to pay off interest and principal to Celsius Network and have the collateral a returned to a user's personal wallet outside of the Celsius Network platform.
3. Allow users the option of liquidation of collateral that pays for any current or matured interest and principal with the remaining collateral going to a user's personal wallet outside of the Celsius Network platform.

### PERSONAL LOAN INFORMATION (total due / maturity / collateral / LTV & interest rate)

#### Outstanding loans currently held (locked) with Celsius;

1. \$16,000 due on Jul 04 2022 / Collateral locked = 1.368955 BTC (25% LTV @ 1%)
2. \$3,660 due on Mar 25 2023 / Collateral locked = 0.332033 BTC (25% LTV @ 1%)
3. \$2,000 due on Feb 02 2023 / Collateral locked = 0.208148 BTC (25% LTV @ 1%)
4. \$23,000 due on Jan 10 2023 / Collateral locked = 2.168430 BTC (25% LTV @ 1%)
5. \$10,000 due on Nov 29 2023 / Collateral locked = 0.703829 BTC (25% LTV @ 1%)
6. \$8,300 due on Nov 26 2023 / Collateral locked = 22.648765 ETH (25% LTV @ 1%)

#### Forced Liquidations due to Celsius freezing accounts;

1. \$26,000 liquidated on Jun 18 2022 / Collateral liquidated = 1.41833729 BTC
2. \$10,000 liquidated on Jun 18 2022 / Collateral liquidated = 0.54191471 BTC
3. \$15,000 liquidated on Jun 18 2022 / Collateral liquidated = 16.49602078 ETH
4. \$12,000 liquidated on Jun 13 2022 / Collateral liquidated = 9.33107542 ETH

Due to the freezing of Celsius accounts on June 12th 2022, the above liquidations were forced upon me as I could not swap, transfer, pay-off or add collateral to protect the loans from liquidation during the market downturn. I had the capital to pay off these loans to release the collateral back into my Earn account, but this was not possible due to the freeze.

Outside of the loan collateral I currently have in my Earn account wallet the following remaining assets;

- Bitcoin BTC = 0.412386
- Ethereum ETH = 3.106619
- Tether USDT = \$2,496.94

## CONCLUSION

Sir, I want to honor my obligation of paying back the principal and interest on my loans so that I may receive my collateral back. However, it makes no financial sense to send money to a bankrupt company when it is unknown what will happen to this collateral as it is now part of the Chapter 11 process.

I am requesting special consideration for all past and future loans that are due and especially the ones that are 4x collateralised. In the month between halting withdrawals (Sunday June 12) and declaring bankruptcy (Wednesday July 13), Celsius Network paid off hundreds of millions of their own loans to gain back their collateral into their possession.

I humbly request you afford retail users the same opportunity as Celsius Network: to allow users to pay off their principal and interest in order to gain back their collateral to a user's wallet outside of Celsius Network's control.

Your Honor, I appreciate your willingness to consider the financial future of 23,000 retail users with loans on the Celsius Network platform and the situation those users with loans & forced liquidations are in. This represents my entire life savings and I will not recover from a total loss. My previous letter filed with the court details my emotional and mental state.

Your attention and the attention of the Committee of Unsecured Creditors is greatly appreciated in this matter.

Regards - Nolan Hemmings